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Consumer Confidence Index increases for first time in six months

A nationwide survey shows that consumer confidence increased in December for the first time since June, although it still ranks well below December of 2000.

The Conference Board Consumer Confidence Index was 93.7 for this December, an increase of 8.8 points from the revised November index of 84.9.

The Consumer Confidence Survey is based on a representative sample of 5,000 U.S. households.

“These survey results are encouraging as we move through this downturn in our economy. They are signs of progress,” said Joseph L. Driskill, director of the Missouri Department of Economic Development. “Although we are seeing improvement, the Consumer Board Consumer Confidence Index remains over 30 points below where it was last December.”

The primary reason for the increase in December was a 14.2 point improvement in the Expectations portion of the index. The Expectations Index, a measure of future economic activity, increased to 91.5 from a revised 77.3 in November. The Present Conditions Index, another factor in the total composite index, increased slightly to 96.9, compared to 96.2 in November. This index measures how consumers perceive the current state of the economy. Even though this is only a slight increase, it is significant because it is the first time the Present Conditions Index has increased since May of 2001.

Nearly all of the questions posed by the Conference Board yielded positive increases, although perceptions of the current business and job market improved at a slower rate.

The updated December University of Michigan’s *Consumer Sentiment Index*, a comparable index, increased to 88.8, compared with 83.9 in November. The Present Conditions Index increased from 95.3 in November to 99.0 in December, and the Expectations Index rose 5.7 points to 82.3.

Economists credit U.S. military victories in Afghanistan, perceived reduction in the threat of terrorist activity, and the rebound in the stock market for the boost in consumer confidence.

“Because consumer spending accounts for two-thirds of the economy, these indices are watched closely,” said Driskill. “The significant December increases in consumer confidence support forecasts that the recession will be relatively brief. We continue to be optimistic that the economy will turn around by next summer.”